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Pensions & Investment Age

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Two plans profit from sale of building

By Steve Hemmerick

The California Employees' and Ohio State Teachers' retirement systems sold the United States Steel Corp. building last month for $315 million, $55 million more than they paid for it two years ago.

Officials for the California fund, which owned 80% of the building, and for the Ohio fund, which owned 20%, said they are pleased with the sale to Integrated Resources Inc., a New York City-based real estate syndicator.

They attributed the sharp increase in value to the shortage of prestige office buildings.

Several real estate investors have called the 64-story building the "premier" building in Pittsburgh.

Jim Smith, investment officer for the California fund, mimicking a line from the movie "The Godfather," said of the sale price, "It was an offer we just couldn't refuse."

The building's sale was especially welcome to officials of the $24 billion California employees' fund. At the time of its purchase, some critics said California invested too much money for an individual purchase outside the state.

The two retirement funds paid $260 million for the building in September of 1982. Mr. Smith said $55 million "profit" was made on the sale, $40 million of that going to the California fund.

The funds divided the purchase price to reduce the size of the individual investments. That division cut the risk but still allowed them to purchase what is called a "trophy" building in real estate circles because of the price and quality or uniqueness of the building.

Still, it was the most expensive building in California's estimated $1 billion equity real estate portfolio.

While some pension funds still avoid real estate, others have been investors only since about 1979, on the promise that real estate is a hedge against inflation and will show substantial appreciation in value over the years.

That substantial appreciation for the U.S. Steel building came early, and Mr. Smith said it was not what he would call an everyday or "normal" transaction.

But, he added, "It's difficult to turn down $55 million in profit in two years. It was a fabulous deal for the retirement system and fabulous for its beneficiaries."

Claude Ballard, formerly director of the Prudential Property Investment Separate Accounts and now a partner with Goldman, Sachs & Co., agreed, saying, "It was a heck of a good deal when they bought it. It's a fine building in a fine location. Pittsburgh is not a smokestack town as some people think it is, but as good as any area in the U.S. I'll bet the buyers will have good luck with it, too."

Jim Grothaus, director of the $6.5 billion Ohio State Teachers' Retirement System, said the sale of the building provided an "excellent return."

One investor for a Northwest public fund said of the sale, "In a fairly poor real estate market, that is a good deal."

Looking back on the purchase, Mel Rubin, a trustee with the California system, said the building offered an "outstanding opportunity and we took advantage of it." But he said trustees thought about it a long time before making the deal.

Mr. Smith agreed. He said that at the time of the purchase, California hadn't been investing long in real estate, and buying the majority interest in a $260 million building did give him some fear.

Real estate

F.I.A. Associates, Sacramento, one of the California fund's real estate advisers, presented the U.S. Steel building offer to the trustees after examining the deal. Another six weeks or so were spent on leg work by Mr. Smith's office, confirming all that F.I.A. had found.

The California trustees then decided to go ahead with the deal. Trustees for the Ohio fund followed suit.

It was doubtful, said Mr. Grothaus, that the Ohio fund would have purchased much more than 20% because of a "guideline" for the fund that limits any individual real estate purchase to 1% of total assets.

Almost immediately after the purchase, however, offers came in for the building from buyers who had been interested, said Mr. Smith.

"We had about a half-dozen offers, and we told them to put a package together and present it to us," he said.

"There is a shortage of trophy properties because so many people want to buy them."

Officials of Integrated Resources were among the interested buyers. Dick Ader, senior executive vice president at Integrated, said his firm is "syndicating" the building to a limited partnership, 600 Grant St. Associates. He said he believes the partnership is made up wholly of individual investors.

Mr. Ader declinded to comment further on the purchase, saying Securities and Exchange Commission rules prevent him from doing so while the building is in syndication. There was speculation Integrated found the building attractive because the limited partnership would be able to take advantage of tax write-offs.

But Mr. Smith said he believes Integrated was interested in the quality of the building itself, and its tenant mix. U.S. Steel Corp., for example, still has a large number of offices in the building and an extended lease, and Rockwell International is a tenant.

The building, said Mr. Smith, is about 98% leased, and before the sale, he had estimated it would provide the California fund a 16.62% internal rate of return over 15 years.

There have been other offers for a number of buildings in California's portfolio, said Mr. Smith. He said he is interested in looking at other high-priced buildings. ■

Equitable to continue expansion

By Marci Baker

NEW YORK — Equitable Life Assurance Society of the United States, which last week agreed to acquire Donaldson, Lufkin & Jenrette and DLJ's investment management arm, Alliance Capital Management Corp., plans to buy more investment management firms.

According to Leo Walsh Jr., Equitable's executive vice president and chief investment officer, the insurer's plan calls for continued growth of its money management activities, in part through acquisition.

"Owning a few asset management operations is something we would like to see at Equitable," said Mr. Walsh.

The insurer, however, has no set plans on how many or what types of firms it would like to bring under its wing. Moreover, it is unlikely further acquisitions will come in the near future.

Equitable's acquisition plans follow a trend in the industry that shows no signs of abating.

Such moves by larger financial institutions provide a method for

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Late news

GM purchases zeros

NEW YORK — The $20 billion General Motors Corp.'s pension fund reportedly invested $2 billion (discounted value) in zero-coupon bonds and is expected to buy more.

This purchase is apparently part of the automaker's previously reported decision to bring in-house some of its investment.

Gordon Binns, chief investment funds officer, declined comment on specific transactions or strategy.

"We have moved money in-house. This is not a secret," Mr. Binns said.

GM started by bringing in-house some assets for salaried employees and has started on hourly employees' assets, he said.

Plan hires for realty

HARTFORD, Conn. — The $3 billion State of Connecticut Retire-

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Steelmaker seeks to tap fund again

By Joel Chernoff

PITTSBURGH — Wheeling-Pittsburgh Steel Corp. again is turning to its pension fund as a tool in the company's struggle for survival.

Trying to outlast an economy that has, at times, been hostile to its industry, the troubled steelmaker's latest move is to apply for a partial funding waiver of $29.5 million in pension payments.

The request for a partial funding waiver is just one of a series of dealings the nation's seventh largest steel company has had with its underfunded pension fund since 1982. They include:

• A full waiver of its 1982 pension liability of $50.7 million, which the Internal Revenue Service approved.

• Creation of a substantial dedicated bond portfolio in April 1982.

• A contribution of non-convertible preferred stock to the pension fund, in lieu of cash, later in 1982.

Separately, Wheeling-Pittsburgh now is contemplating offering its unionized employees up to $50 million in a new preferred stock issue in exchange for not restoring wages and benefits that had been trimmed temporarily under a labor contract.

A December 1982 agreement

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Vote called asset

Editor's note: This post-election wrap-up was compiled from reports by Barry B. Burr, Rose Darby, Richard J. Gillespie, Mark Westerbeck and Fred Williams.

President Reagan's landslide reelection was positive for financial assets, pension executives and money managers agree, but its short-run effect will be limited because it already had been discounted in the market.

(The election's effect on employee benefit plans won't be felt for several weeks, when tax-reform proposals and congressional

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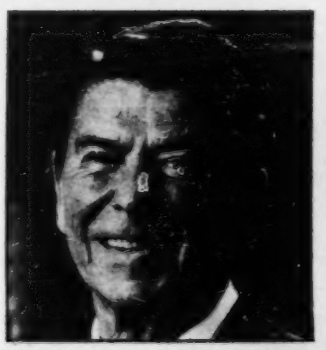

President Reagan

Hopes to eliminate unfunded liability by 1986

Teamsters sells stock to buy bonds

By Barry B. Burr

SEATTLE — The Teamsters, Western Conference is dedicating most of the rest of its $5.1 billion fund to eliminate its pension plan's unfunded liability by 1986 and to move toward a defined contribution plan.

In the latest move, the Teamsters sold its $857 million in common stocks and $674 million in short-term investments to buy $1.5 billion in bonds.

The fund's remaining assets are in real estate. It has $632 million in Prudential's PRISA and PRISA 2 and $121 million in Prudential's MORISA mortgage pool.

For now, these assets will remain the only ones not dedicated, said Neal McNamara, with Pillsbury Madison & Sutro of San Francisco, the fund attorney. He said the fund will liquidate the realty accounts over three to five years, putting the assets in the dedication.

The bond purchases were made in mid-October by Prudential Insurance Co. of America to set up a dedicated portfolio.

Mr. McNamara said the dedication hasn't been set up yet. He said Prudential promised an annual return of at least 12%. Industry observers said the $1.5 billion would be the largest dedication by any pension plan.

The fund already has the bulk of its assets dedicated to paying off liabilities. As of Sept. 30, it had $2.8 billion in dedicated assets. With the latest bond purchases, the fund has $4.3 billion in dedicated assets, all managed by Prudential.

By selling its stocks, the Teamsters fund dropped its two other investment managers, Aetna Life & Casualty Co., Hartford, Conn., and Equitable Life Assurance Society of the United States, New York.

Aetna ran $188.8 million and Equitable, $168.4 million, according to the Sept. 30 data.

In 1983, the Teamsters paid the two management fees of, respectively, $353,862 and $361,809, said Joseph R. Bonanno, vice president-client services at Prudential Asset Management Co., Westlake, Calif., who is authorized to speak for the fund.

Prudential ran the other $500 million in equities.

The Teamster move restores Prudential as the sole manager of the fund, a position it enjoyed from the fund's inception in 1955 until 1982, when the Teamsters hired Aetna and Equitable.

In 1983, Prudential was paid 0.23% of the fund's assets under its management, or $11.5 million, in fees from the Teamsters, Mr. Bonanno said.

The fund has no internal staff overseeing investments or investment policy; its 14 employer and 14 union trustees rely on Prudential, in addition to the fund's actuary, Dan McGinn & Associates Inc.; consultant, Anthony F. Hovey; and counsel, Pillsbury Madison & Sutro.

Mr. McNamara said the dedications, by providing a more certain investment return, will allow the fund to boost its actuarial assumed rate of return and "reduce to zero" the unfunded pension liability by 1986.

The fund uses an assumed rate of return of 10% on the dedicated assets. After the latest dedication, the new rate will rise to perhaps more than 12%, he said.

On a terminated basis, Mr. McNamara said, the plan has $2.2 billion in unfunded vested and non-vested liabilities. That unfunded liability has grown sharply in recent years. The latest Teamsters report for Dec. 31, 1982, showed the plan had assets of $4.2 billion and liabilities of $5.1 billion, meaning about $900,000 was unfunded.

He said the reason for the move to bonds was to eliminate the plan's unfunded status and thus the withdrawal liability each of the fund's 13,000 employers has to pay upon quitting the plan.

A 1980 pension law requires employers quitting such multiemployer pension plans to pay a share of the unfunded liability.

Mr. McNamara said the threat of the withdrawal liability made employers reluctant to join the plan or increase its benefits.

"It's a constant source of litigation and arbitration," he said.

In addition, "We have noticed a

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Maureen M. Culhane

Allis-Chalmers sets dedicated portfolio

By Barry B. Burr

MILWAUKEE — Allis-Chalmers Corp., looking for a way to improve its pension financing, placed almost 40% of its $295 million pension fund in a dedicated bond portfolio.

Maureen M. Culhane, assistant treasurer, said the dedication's yield, as calculated by its internal rate of return or yield to maturity, is 14.66%.

She said the dedication's high yield will enable the corporation to cut its annual contributions to the pension fund "by a significant amount," and reduce its unfunded pension liability, now about $250 million. She would not be more specific.

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Pension fund revamps lineup

By Marci Baker

PEORIA, Ill. — The Central Illinois Light Co. has revamped its $85 million pension fund, hiring four managers in a move to a multiple-manager, specialty lineup from a single-manager balanced structure.

Wendell Barton, treasurer, said the changes stem from a desire to diversify the fund's assets as well as enhance overall investment return.

Fidelity Management Trust Co., Boston, and Kemper Financial Services, Chicago, have been hired to handle a 50% equity commitment for the fund.

Security Pacific Investment Managers Inc., Los Angeles, was selected as the only bond manager, running 40% of the fund's assets.

The remaining 10% of the fund will go toward its first equity real estate commitment with TCW Realty Advisors, Los Angeles.

The four managers replace Bankers Trust Co., previously Central Illinois' only investment manager. Bankers continues as master trustee.

The restructuring has been in the works since the first of this year, when Central Illinois launched a review of the fund's overall policy and objectives with its consultant A.S. Hansen, Chicago.

"Because of the size of the fund, we decided we ought to move to a more specialized manager structure," Mr. Barton said. "We felt that, under ERISA, we had an obligation to diversify."

Although the treasurer declined to provide returns on the fund, he

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Late news

Continued from page 1

ment System has hired conditionally four more closed-end real estate managers.

The most recent additions, which bring to 10 the number working for Connecticut, are State Street Bank and Trust, Boston, $30 million; JMB Institutional Realty, Chicago, $30 million; John McMahan Associates, San Francisco, $10 million; and Heitman Advisory Corp., Chicago, $30 million.

State Treasurer Henry Parker said the selections are tentative; allocations and other details are subject to final contract negotiations.

Balch, Hardy hired

BALTIMORE — The $800 million Baltimore Employees Retirement System has hired Balch, Hardy & Scheinman Inc., New York, to begin a covered call option writing program.

The options will be written on a $60 million equity portfolio managed for the Baltimore fund by Pioneering Management Corp., Boston, said Ernest J. Glinka, fund administrator. He expects the program will provide incremental return and lower volatility.

Evaluation Associates Inc., Westport, Conn., was the consultant.

Independence added

BOSTON — The $2.5 billion Massachusetts State Employees & Teachers Retirement System hired Independence Investment Associates Inc., a unit of John Hancock Mutual Life Insurance Co., Boston, to run $25 million in an equity account, said Alan West, the fund's chief investment officer.

The public fund hired its first outside equity managers in August, picking five Boston-based firms to manage $125 million in assets. The fund kept its search in state.

Gingery quits National

LOUISVILLE — Donald W. Gingery, manager of pension fund administration at National Steel Corp., is leaving to join the Louisville office of William M. Mercer-Meidinger Inc.'s Asset Planning Services as director of investment-manager research, the consulting firm said. He replaces Caroline Cummings.

Brian Rom is leaving Peat Marwick Mitchell & Co., New York, as senior manager to join Meidinger Asset Planning's New York office as senior consultant. Wayne Morris was hired as senior consultant in the Dallas office.

University appoints

AUSTIN, Texas — Michael E. Patrick has been named executive vice chancellor for asset management at the University of Texas.

In the position, Mr. Patrick is responsible for investment of the $2.1 billion in the Permanent University Fund, and oversees holdings in land and bonds. He had been corporate treasurer since 1980 with Superior Oil Co., Houston.

Rumors squelched

NEW YORK — Tony Forstmann dispelled widespread rumors last week that Forstmann-Leff Associates had sold a 45% to 50% interest in the firm to Aitkin Hume International, the London financial services outfit. The rumored price tag was $40 million.

The report is "absolutely incorrect," said Mr. Forstmann, managing partner. "We are not for sale."

Fed proposal on fees

WASHINGTON — The Federal Reserve Board has proposed the introduction of a two-tier fee schedule for the collection of certain checks.

Under the plan, the Federal Reserve would charge more for checks where collection costs are higher, usually at low-volume end points. The Fed now charges the same fee for all checks drawn on institutions within the same availability zone. Low unit-cost end points typically are large institutions or smaller institutions that have their checks delivered to processors that either receive large volumes of checks or are located near the Federal Reserve.

Hospital hires 2 firms

ARLINGTON HEIGHTS, Ill. — Northwest Community Hospital reshuffled nearly 70% of its $12 million pension fund, ending Travelers Insurance Co.'s stint as sole money manager.

Richard A. Zeiler, vice president-finance, said the fund hired Kemper Financial Services Inc., Chicago, to run $7 million in equities, and Security Capital Real Estate Corp., New York, to manage $1.8 million in commingled real estate.

PIPER

The statistical data is extracted from Pensions & Investments' Performance Evaluation Report, a quarterly performance evaluation service published by Pensions & Investment Age. PIPER details comparative performance data on equity and fixed-income funds at more than 200 banks and insurance companies. PIPER is compiled by Rogers, Casey & Barksdale Inc., Stamford, Conn.

Long maturities sure play in bonds

By Barry B. Burr

Fixed-income managers taking the position that interest rates had peaked turned in the best performance in the third quarter, according to Pensions & Investments' Performance Evaluation Report.

The position meant buying bonds with long maturities, the types subject in general to the most price appreciation as interest rates fell, top PIPER performers said.

But most fixed-income managers surveyed failed to beat the market benchmark.

For the quarter ended Sept. 30, Allied Bank of Texas, Houston, was the top performer. Its $8 million fixed-income portfolio returned 13.8%, compared with the Shearson-Lehman Government/Corporate bond index return of 8.3%.

But credit for the performance goes to Criterion Investment Management Co., Houston, which runs the portfolio for Allied.

At Criterion, Charles Miller, president, said, "The reason for our success in the quarter is we made a good interest rate forecast. That's the key to success for any fixed-income management.

"It was a very long-term portfolio, probably an estimated maturity of 18 years, which is why it did so well in the rally."

The second-best performer was First Interstate Investment Advisers, Las Vegas. It returned 13.7%.

At First Interstate, Robert M. Lee, president, said, "We were all in long bonds for most of the quarter."

"We really didn't do any trading at all for the quarter. We just sat and watched."

Manufacturers Life Insurance Co., Toronto, ranked third, reporting 13% on a bond portfolio composed of U.S. securities.

Following closely were the portfolios of American National Bank and Trust Co., St. Paul, Minn., with 12.7%; Centerre Trust Co. of St. Louis, 12.2%; Seattle-First National Bank, 11.9%; Travelers Investment Management Co., Hartford, Conn., also 11.9%; First Chicago Investment Advisors, 11.8%; and Fidelity Union Bank, Newark, N.J. (whose name has been changed to First Fidelity Bank), 11.6%.

PIPER reports each quarter the returns of commingled bond portfolios of large banks and insurance companies as compiled by Rogers Casey & Barksdale Inc., a consultant based in Stamford, Conn.

Despite some exceptional performers, most fixed-income portfolios failed to at least perform in the quarter as well as the Shearson-Lehman benchmark.

Of the 246 managers surveyed, just 75 beat or equaled the index. For the quarter, the PIPER median manager returned 7.3%.

For longer periods, all ended Sept. 30, most managers reported similar below-average performance.

For 12 months, just 111 of 243 bond managers surveyed at least equaled the Shearson benchmark of 8.5%. The median return for the year was 8.3%.

For three years, only 59 of 172 managers matched or beat the Shearson annualized return of 18.7%. The median annualized return was 17.2%.

For five years, just 92 of 218 bond managers equaled or bettered the Shearson annualized return of 10.2%. The median annualized return among the managers for the period was 9.9%.

For 10 years, a bare majority of the bond managers surveyed, 82 of 163, beat or equaled the Shearson annualized return of 9.4%. The median annualized return among the managers was also 9.4%.

The number of managers surveyed for each period differs because some began running their bond portfolios more recently.

The top performing bond portfo-

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Top bond funds by size 20

August no dog day for equity leaders

By Rose Darby

Commingled equity funds most able to maximize the dramatic August run-up in the stock market were the ones that emerged as top performers for the quarter and year ended Sept. 30, according to the most recent PIPER figures.

For the quarter, Planters National Bank & Trust Co., in Rocky Mount, N.C., was the clear leader with a time-weighted total return of 20.4% on its $4.5 million Common Fund Trust B.

By contrast, the median fund in the Pensions & Investments' Performance Evaluation Report had a time-weighted total return of 7.7% for the three-month period, and the Standard & Poor's 500 index logged a return of 9.7%.

"Back in the spring, we saw some local companies in this area that really got knocked way out of line," said W. Patrick Raiford Jr., vice president and trust investment officer who oversees the fund.

For example, there were some existing positions in companies such as **Dollar General Corp.**, **Charter Medical** and **Jefferson Pilot**, he noted.

At the time, "we increased those to a full position, in most cases, and they performed beautifully for us," Mr. Raiford added.

In addition, "we put all the cash to work in equities, so we had very little left to invest by late July," he said.

"We had a very full participation in the mid-August market."

Planters National invests roughly $10 million to $12 million in pension and employee benefit assets for clients, Mr. Raiford added.

Bank of the West, in San Jose, Calif., was in second place for the quarter, with a time-weighted total return of 14.7%. State Street Bank & Trust Co., Boston, placed third with a return of 14.3% on its Value Fund I.

For the year ended Sept. 30, National Bank of Bloomington, in Bloomington, Ill., was the frontrunner with a time-weighted total return of 18.3%, on its Equity Fund E.

The PIPER median equity fund for the year logged a lackluster 0.9%, while the S&P 500 had a return of 4.7%.

"During the first half of the year, we were only about 50% invested and, at that point, we were invested in defensive issues such as the food and energy stocks," said Diane Nafziger, trust investment officer for National Bank of Bloomington's less than $1 million fund.

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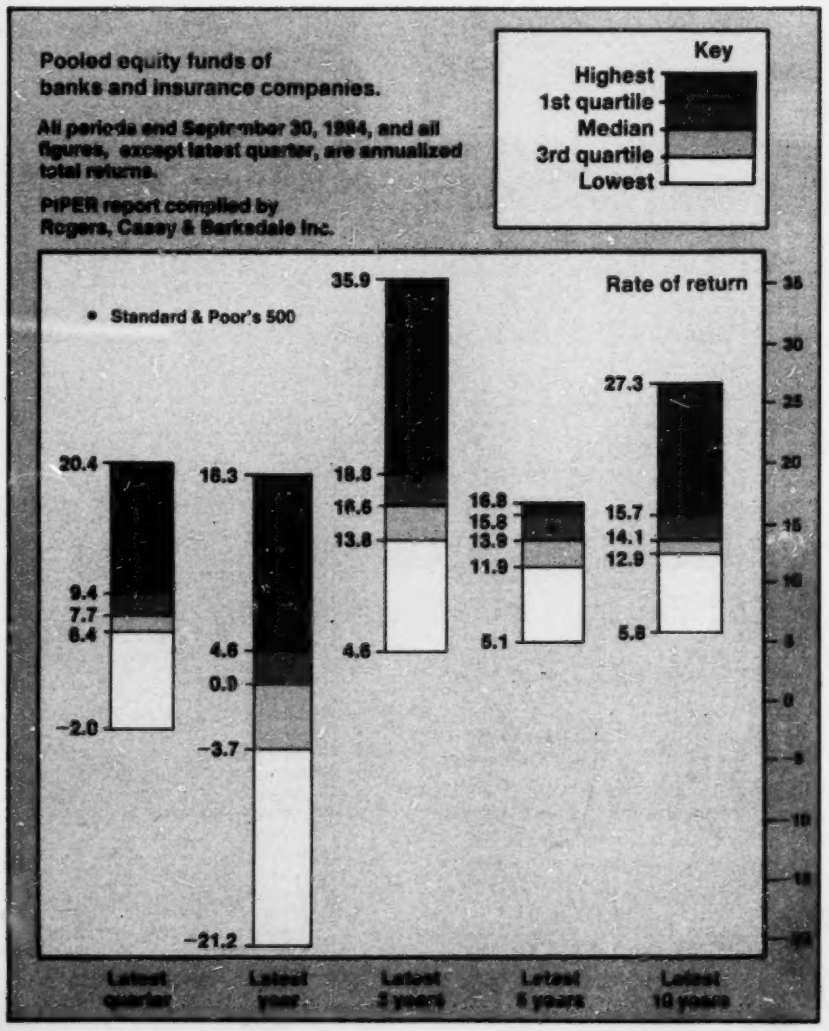

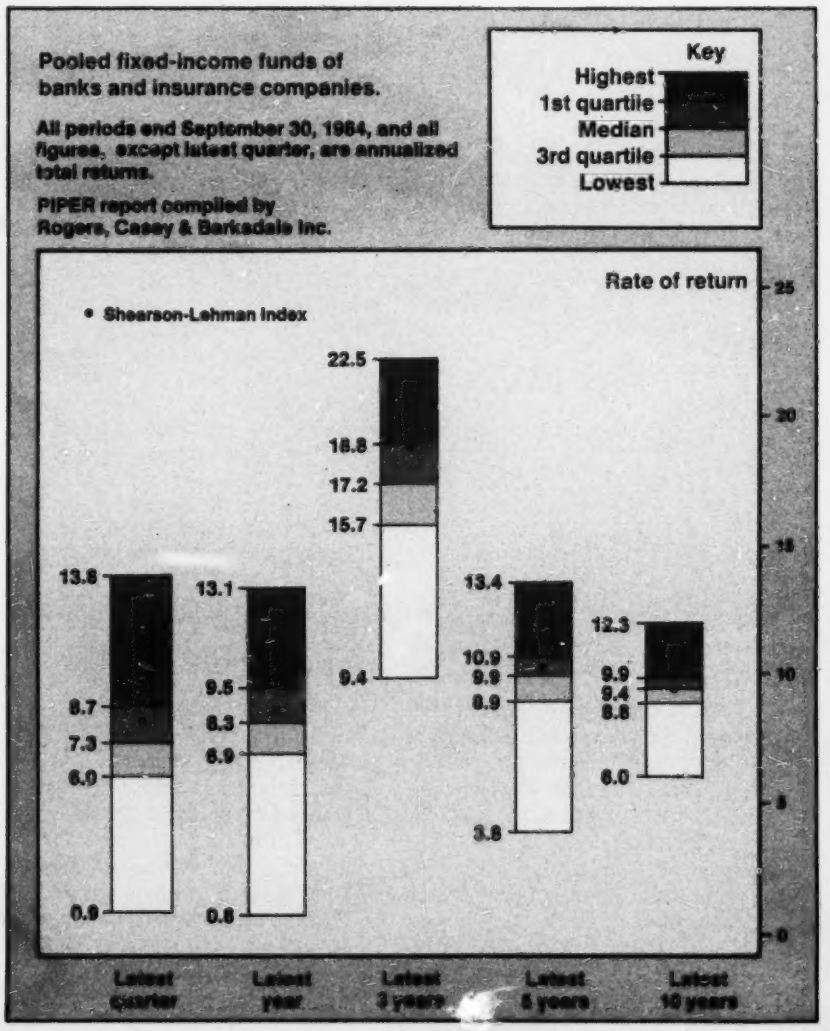

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Top quartile commingled equity funds

3-month returns

	%
Planters National, N.C.	20.4
Bank of the West, Calif.	14.7
State Street Bank, Mass.	14.3
First of America, Mich.	14.1
Trust Svcs. of Amer., Calif.	13.9
John Hancock, Mass.	13.6
Bank of New England, Mass.	12.9
Republic Natl., Dallas	12.5
Centerre Trust, Mo.	12.5
First Interstate of Oregon	12.3
Sun Bank, Fla.	12.2
First Tennessee, Chat.	12.0
Fidelity Bank, Pa.	12.0
Natl. Bank of Bloomington, Ill.	11.7
Travelers, Conn.	11.7
Mellon Bank, Pa.	11.6
Continental Bank, Pa.	11.4
Midlantic National, N.J.	11.4
Norwest Bank, Minn.	11.4
Provident National, Pa.	11.2
First of Warsaw, Ind.	11.1
John Hancock, Mass.	11.1
Texas Commerce	11.1
Key Trust Co., N.Y.	11.0
New Jersey National	10.9
First Natl. State, N.J.	10.7
Guardian Insurance, N.Y.	10.7
Southeast Bank, Fla.	10.6
Fidelity Mgmt. Trust, Mass.	10.6
Puget Sound Natl., Wash.	10.6
American Security, D.C.	10.6
Resource Bank & Trust, Minn.	10.6
AmeriTrust, Ohio	10.5
Natl. Bank of Detroit	10.5
Life of Virginia	10.5
Landmark Union Trust, Fla.	10.4
First Trust, St. Paul	10.3
First of Minneapolis	10.3
Toledo Trust	10.3
Merchants Natl., Iowa	10.2
Fourth Natl., Wichita, Kan.	10.2
Pioneer Bank, Ill.	10.1
Aetna Life & Casualty, Conn.	10.1
Morgan Guaranty, N.Y.	10.1
Oregon Bank	10.0
American Natl., Austin, Texas	9.8
Pacific Mutual, Calif.	9.8
CIGNA Corp., Conn.	9.8
Society Natl., Ohio	9.8
Merchants Natl., Ala.	9.8
Bankers Trust, N.Y.	9.7
Colorado Natl. Bank	9.7
Standard & Poor's 500	**9.7**
Manufacturers & Trader, N.Y.	9.7
Equitable Life, N.Y.	9.7
American Natl., Chicago	9.7
Continental Natl. Bank, Texas	9.6
US Natl. of Galveston	9.6
Prudential, Pridex, N.J.	9.6
First Tennessee, Memphis	9.5
Central Fid., Lynchburg, Va.	9.5
Prudential, VCA-9, N.J.	9.4
Natl. of Commerce, Tenn.	9.4
Natl. City Cleveland	9.4
Midlantic National, N.J.	9.4
Fidelity Union, N.J.	9.4

1-year returns

	%
Natl. Bank of Bloomington	18.3
Continental Natl. Bank, Texas	14.4
First Interstate of Oregon	14.0
Landmark Union Trust, Fla.	13.8
First Union Bank, N.C.	12.9
Jefferson Trust, Ill.	12.8
US Trust, N.Y.	12.4
Bank of New England, Mass.	12.3
Centerre Trust, Mo.	10.5
Bank of the West, Calif.	10.5
Cullen Bank, Texas	9.6
Phoenix Mutual, Conn.	9.4
Natl. of Commerce, Tenn.	9.1
Mercantile Safe, Md.	9.1
First of America, Mich.	9.1
Mellon Bank, Pa.	9.0
First of Bartlesville, Okla.	9.0
Lake Shore Natl., Ill.	9.0
Citytrust, Conn.	9.0
New Jersey National	8.8
John Hancock, Mass.	8.7
US Natl. of Galveston	8.5
Guardian Insurance, N.Y.	8.3
Sun Bank, Fla.	8.2
Nationwide Life Ins., Ohio	8.1
Central Penn., Pa.	7.9
First of Warsaw, Ind.	7.8
United Carolina Bank, N.C.	7.5
First Trust St. Paul, Minn.	7.4
Colorado Natl. Bank	7.4
Fidelity Union, N.J.	7.4
Provident National, Pa.	7.3
Manufacturers & Trader, N.Y.	7.3
United Virginia Bank	7.2
Old Kent, Mich.	7.1
AmeriTrust, Ohio	7.1
Irving Trust, N.Y.	6.9
First Pennsylvania Bank	6.8
John Hancock, Mass.	6.6
BancTexas, Dallas	6.5
Ouachita Natl., La.	6.5
Massachusetts Mutual	6.4
American Bank, Tenn.	6.3
Gary Wheaton Bank, Ill.	6.2
Greeley Natl., Colo.	6.0
Security Natl. Bank, W. Va.	5.8
American National Bank, Ind.	5.7
Mercantile Trust, Mo.	5.6
Fidelity Mgmt. Trust., Mass.	5.6
Toledo Trust, Ohio	5.6
Fidelity Bank, Okla.	5.5
First Tennessee, Chat.	5.5
Republic Natl., Dallas	5.3
Wheeling Dollar Bank, W. Va.	5.2

Investment managers are only as successful as their investment philosophies.

Every year, it seems, a large percentage of investment managers discard their suddenly shopworn philosophies for those in vogue.

At First Union's Capital Management Group, we don't subscribe to faddish trends. Our approach to investment management is ordered and highly disciplined. Painstakingly developed, our methods have proven effective in good markets and bad. And, our performance consistently ranks us among the very best money managers in the country.

Overlooked and under-followed stocks occupy a favored position in our portfolio because they hold the most potential for optimum returns.

In bond management, we seek to minimize the effects of the volatility in the bond market through controlled maturity structures and emphasis on credit quality.

Take a look at our rankings in the P.I.P.E.R. Survey. We consider them a testament to the soundness of our approach.

For more details on our management philosophies, call Pete Nagle, Vice President, at (704) 374-6152. The sooner you get our investment team working for you, the sooner you'll see the results.

CAPITAL MANAGEMENT GROUP

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